

Semiannual Report to Congress



# ***TVA Office of the Inspector General***

April 1 ~ September 30, 2005

## **Highlights**

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## OIG Sarbanes-Oxley Efforts Win Award

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The OIG Sarbanes-Oxley Review Team was selected for an Award of Excellence by the President's Council on Integrity and Efficiency. Because TVA will be subject to certain provisions of the Sarbanes-Oxley Act of 2002, the OIG formed a team to perform process and system control reviews across TVA. The scope of this project encompasses more than 80 processes and 30 systems impacting financial reporting as the team works with TVA process owners to complete control reviews by identifying potential improvements in design, documentation, and/or operating effectiveness of control activities. The Award of Excellence recognizes this effort as an unusual and distinguished achievement at the forefront of the Inspector General community.

### Statistical Highlights

April 1 ~ September 30, 2005

Audit Reports Issued	29
Questioned Costs	\$6,422,040
Funds Recovered	\$6,015,660
Funds Put to Better Use	\$6,634,600
Funds Realized by TVA	\$6,001,869
Investigations Opened	84
Investigations Closed	84
Fines/Recoveries/Restitution/Savings	\$1,923,167
Criminal Actions	9
Administrative Actions (No. of Subjects)	13
Inspections Completed	13

## TVA Saves Money With OIG Contract Audits

*Pages 15-17*

We identified \$12 million in potential savings opportunities during our contract audits. Management actions during this reporting period included negotiating \$8 million in savings from our preawards, and recovering or disallowing \$6 million in questioned costs.



# TVA Responds to Diverse Challenges

*Pages 9-14*

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As TVA faces fundamental changes to its business environment due to evolving competition in the electric utility industry, it is responding to challenges in a number of areas. These areas include (1) competitive rates, (2) operational excellence, (3) environmental compliance, and (4) corporate responsibility. OIG efforts over the past several years have contributed to TVA efforts to meet these challenges. Those efforts have included identifying savings opportunities to help keep costs down and rates competitive, operational reviews, and internal control reviews to assist in Sarbanes-Oxley compliance.

# Inspections Unit Offers Alternative to Full Audit

*Pages 29-31*

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The new OIG Inspections unit provides flexibility to conduct limited scope policy and program evaluations to promote economy and efficiency. These reviews offer a different option than a full OIG audit and can be used for more limited reviews. Inspections during this reporting period included (1) an assessment of TVA's actual travel expense reimbursement program and the Chief Operating Officer organization's flat rate reimbursement program, (2) a review of compliance with work management requirements, (3) a comparison of invoiced coal weights to TVA scale weights, and (4) a comparison of TVA ethics practices and industry best practices.

# Investigations Implement More Proactive Efforts

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Our investigative efforts are designed to prevent and detect fraud, waste, and abuse. To become more proactive in developing significant cases, we have taken several steps. These steps include increased data mining efforts to look for anomalies and fraud indicators in TVA data sets, working with TVA management to conduct fraud risk assessments, assigning OIG special agents to be responsible for specific TVA plant sites and to develop relationships with the people there, and developing an Intelligence Unit to look for trends or patterns which might indicate fraud. We believe these types of proactive efforts will lead to higher impact investigations.

